United Nations DP/2011/23

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
24 May 2011

Original: English

Annual session 2011
6 June to 17 June 2011, New York
Item 3 of the provisional agenda
Funding commitments to UNDP

Status of regular funding commitments to the United Nations Development Programme and its associated funds and programmes for 2011 and onward*

Summary

In its decision 98/23, the Executive Board designated its second regular session each year, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with that decision, and building on the approach taken in that context, the present report presents the status of regular funding commitments for 2011 and onward, and a summary of the provisional income for regular and other resources received in 2010.

Elements of a decision

The Executive Board may wish to note that while overall contributions to UNDP in 2010 have increased to $5 billion, contributions to regular resources decreased to $0.97 billion and, thus, did not meet the 2010 funding target for regular resources set out in the UNDP strategic plan, 2008-2013.

The Executive Board may further wish to note that based on the official United Nations rates of exchange as at 1 May 2011, regular resources may reach $1 billion in 2011. This figure takes into account that actual and projected currency-exchange gains presently exceed reductions in total contributions to regular resources.

The Executive Board may wish to recall General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system, to reiterate that regular resources form the bedrock of UNDP finances, and to request all countries that have not yet done so to provide contributions to regular resources for 2011.

The Executive Board may wish to stress the importance of a stable, predictable base of regular resources for the extended period of the strategic plan and encourage Member States to announce pledges, on a multi-year basis if feasible, and payment schedules, and to adhere to such pledges and payment schedules thereafter.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

11-35468 (E) 020611

Contents

Chapter		*Page*
I.	Introduction	3
II.	Background	3
III.	Volume	4
	A. Contributions to UNDP regular resources	4
	B. Contributions to UNDP other resources	5
	C. Contributions to UNDP overall	7
IV.	Predictability	7
V.	Reducing overdependence on a limited number of donors	8
VI.	Conclusions	9

I. Introduction

1. In its decision 98/23, the Executive Board designated its second regular session each year, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with that decision, and building on the approach taken in that context, the present report presents the status of regular funding commitments for 2011 and onward, and a summary of the contributions to regular and other resources received in 2010.[1]

2. Contributions to regular ("core") resources reached $0.97 billion in 2010 in nominal terms. This was a decrease of 4.7 per cent from the level of $1.01 billion achieved in 2009 and approximately 31 per cent below the 2010 annual target for regular resources of 1.4 billion as set out in the UNDP strategic plan, 2008-2011, which was extended to 2013 by the Executive Board in its decision 2009/9. Contributions to regular resources did not reach the 2009 level owing to volume decreases in local currency terms by some donor countries and less favourable exchange rates.

3. Based on the official United Nations rates of exchange as at 1 May 2011, regular resources may reach $1 billion in 2011. However, the nominal upward trend in projected contributions results from favourable exchange rates. While many donors will maintain and some increase their contributions in 2011 despite domestic constraints, a number of donors have indicated their intention to reduce their contributions. Others had yet to indicate the level of their contribution at the time of writing this report.

4. Overall contributions to UNDP amounted to $5.02 billion in 2010, with other ("non-core") contributions to UNDP reaching a total of $4.05 billion. Earmarked contributions from bilateral donors increased from $1.36 billion in 2009 to $1.63 billion in 2010. Earmarked resources entrusted to UNDP by multilateral partners and the European Commission increased from $1.45 billion in 2009 to $1.67 billion in 2010. Local resources provided by programme countries decreased from $0.78 billion in 2009 to $0.75 billion in 2010.

5. The ability of UNDP to fulfil its multilateral mandate and deliver effective capacity-building support for development depends on its having sufficient core funding to operate as a forward-looking organization and to pursue flexible, integrated management and programming approaches focused on long-term effectiveness and sustainability. Other resources represent an important complement to this unearmarked regular resource base of UNDP.

II. Background

6. Numerous Executive Board decisions (98/23, 99/1, 99/23 reaffirmed in 2002/9, 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/16, 2009/10 and 2010/14), stress the importance of an adequate, stable and predictable level of regular resources for UNDP.

7. As reflected in the annual reports on the multi-year funding framework for the years 2004-2007 (DP/2005/16, DP/2006/17 and Corr.1, DP/2007/17) and welcomed by the Executive Board in decisions 2005/23, 2006/24 and 2007/26, the gross regular resource income achieved in 2004, 2005 and 2007 exceeded the respective annual targets, falling short of the target only in 2006.

[1] This report includes contributions to UNDP regular resources and to UNDP other resources as detailed in section I of this report. Contributions to the funds and programmes administered by UNDP are referenced in dedicated paragraphs in this report and are not included under the contributions to UNDP. In accordance with standard practice, a detailed account of the overall income and contributions to UNDP will be submitted at the second regular session of the Executive Board under the segment pertaining to the "annual review of the financial situation in 2010". Until the establishment of UN-Women in 2010, the United Nations Development Fund for Women (UNIFEM) was administered by UNDP. Subsequent to the establishment of UN-Women, the status of funding commitments to UNIFEM are no longer included in these annual reports.

8. In its decision 2007/32, the Executive Board approved the integrated financial resources framework of the strategic plan covering the planning cycle 2008-2011, thereby replacing the funding framework and targets embedded in the multi-year funding framework.

9. While UNDP met the first annual target (2008) of the strategic plan, contributions to regular resources in 2009 were approximately 18.8 per cent below the second, increased annual target (2009), and 31 per cent below the further increased third annual target (2010) for regular resources, as set out in the strategic plan. Based on the official United Nations rates of exchange as of 1 May 2011, it is being projected that the income in 2011 will be approximately 35 per cent below the annual target (2011).

10. In its decision 2009/9, the Executive Board extended the strategic plan to 2013. The integrated financial resources framework as approved in decision 2007/32 and as adjusted and amended in the midterm review of the strategic plan (DP/2011/22, annex) represents the overall funding target for the strategic plan, encompassing regular and other resources.

United Nations Capital Development Fund

11. Administered by UNDP, the United Nations Capital Development Fund (UNCDF) is the United Nations capital investment agency which supports least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. All of UNCDF support is provided through national systems in accordance with the Paris Principles. UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyse larger investment flows from the private sector, development partners and national governments, and thus to have significant impact on the achievement of the Millennium Development Goals.

United Nations Volunteers

12. Set up by the General Assembly in 1970 and administered by UNDP, the United Nations Volunteers (UNV) programme contributes to peace and development through volunteerism worldwide. Volunteerism is a powerful means of engaging people in tackling development challenges, and it benefits both society at large and the individual volunteer by strengthening trust, solidarity and reciprocity among citizens. UNV contributes to peace and development by advocating for recognition of volunteers, working with Governments, United Nations organizations, peacekeeping and special political missions, and other partners to: integrate volunteerism into development programming; support the building of national volunteer capacity; and mobilize national and international UNV Volunteers, as well as online volunteers. UNV Volunteers make important contributions to peacekeeping and special political missions of the United Nations. The General Assembly designated UNV as the focal point for celebrating the International Year of Volunteers (IYV) in 2001. Upon the request of the General Assembly, UNV is serving in 2011 as the focal point for marking the tenth anniversary of the International Year of Volunteers (IYV+10). In 2010, more than 7,700 professionally qualified, experienced and committed women and men from 158 countries served as volunteers in the United Nations system-wide efforts to promote peace and development, including through the achievement of the Millennium Development Goals in 132 countries. Eighty per cent of the volunteers were nationals of developing countries, reaffirming the UNV programme as a concrete expression of South-South cooperation. In financial terms, the programme surpassed $235 million. Of this, around 3 per cent was financed from the Special Voluntary Fund.

III. Volume

A. Contributions to UNDP regular resources

13. Following steady increases between 2001 and 2007, when contributions to regular resources increased after seven years of steady decline, UNDP regular resources decreased again in 2009 and 2010. Provisional data shows that contributions to regular resources for 2010 decreased to $0.97 billion from $1.01 billion in 2009. The 10 largest contributors to regular resources in absolute dollar terms in 2010 were the Netherlands, Norway, United States, Sweden, United Kingdom, Japan, Denmark, Switzerland, Canada and Spain, in that order.

14. The political commitment of Member States to the regular resource base of UNDP is reflected in the fact that 56 countries made contributions to the regular resources of the organization in 2010, including 19 countries that increased or resumed contributions. Many programme countries contributed despite considerable internal constraints.

15. Contributions to regular resources from four members (Australia, Belgium, Finland and the Republic of Korea) of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) increased in 2010. This is down from 2009, which saw increased contributions from eight OECD/DAC members in 2009. Contributions in local currency terms to regular resources from six OECD/DAC members (France, Germany, Italy, Japan, Spain and Sweden) decreased in 2010.

16. In 2010, 26 Member States contributed $1 million or more to the regular resources, including 22 of the currently 23 OECD/DAC members, as well as China, India, Turkey and Saudi Arabia.

17. Current projections suggest that, subject to exchange-rate fluctuations, contributions to regular resources in 2011 may reach the level of $1 billion. Most donors have pledged to maintain their contributions in 2011. Seven members of the OECD/DAC, namely Austria, Australia, Finland, Germany, Ireland, Japan and Sweden, have increased their contributions in 2011. Indications are that three members of the OECD/DAC (France, Italy and the Netherlands) will decrease their contributions to regular resources in 2011. Others had yet to indicate their intentions at the time of writing this report.

18. Historical and projected income figures for UNDP are traditionally expressed in nominal terms (that is, dollars at current value). Thus they do not reflect variations in the real value of UNDP income resulting from inflation and exchange-rate variations. While core income expressed in nominal terms increased by 49.8 per cent from $645 million in the year 2000 to $967 million in 2010, core income expressed in constant terms shows a reduction of 4.2 per cent over the same period. This means that the purchasing power of core contributions in 2010 falls short of the purchasing power of core contributions in 2000. In addition, the funding base of UNDP remains highly exposed to exchange-rate fluctuations.

19. In many of its decisions, the Executive Board recognized that the ability of UNDP to fulfil its mandate and to preserve its multilateral, impartial and universal character depends on an adequate and secure regular funding base. Restoring growth and enhancing predictability to the regular funding of United Nations development activities has been discussed widely, including in the context of the most recent triennial comprehensive policy reviews and the corresponding General Assembly resolutions 56/201, 59/250 and 62/208. These resolutions urge organizations of the United Nations development system to address systematically the funding of their operational activities and to explore, where appropriate and within the context of their multi-year planning and related financial frameworks, additional sources of financial support and alternative funding modalities. The objective is to secure, on a predictable, continuous and sustained basis, the critical mass of resources required to ensure adequate functioning and pursuit of long-term development objectives.

B. Contributions to UNDP other resources

20. Other ("non-core") resources are earmarked to specific themes, programmes and activities, and represent a critical complement to the regular resource base of UNDP. Provisional data shows that the total of non-core resources contributions to UNDP reached $4.05 billion in 2010, exceeding the estimate of $3.9 billion in the strategic plan. The level of other resources demonstrates that UNDP continues to be called upon to support Governments to obtain, direct and manage different types of funding in accordance with national priorities.

21. Bilateral contributions from OECD/DAC donor Governments amounted to $1.63 billion in 2010. This represents an increase of 16 per cent compared to the previous year. Many donor Governments, including virtually all the OECD/DAC donors, are active in co-financing UNDP programmes. Over the remaining years of the extended strategic plan period (2011-2013), UNDP aims at increasing the relative share of more "flexible" or "lightly earmarked" co-financing and trust-fund contributions in this category of other resources.

22. Non-core resources entrusted to UNDP by non-bilateral partners and multilateral funds reached $1.67 billion in 2010, an increase of 15 per cent over 2009. The European Commission, the Global Environment Facility and The Global Fund to Fight AIDS, Tuberculosis and Malaria provide almost two thirds of the resources under this category.

23. Local resources, channelled through UNDP by programme-country Governments and other local partners in support of their own national development, amounted to $751 million in 2010, a decrease of 4 per cent as compared to 2009. Thus local resources decreased much more sharply than projected, clearly exceeding the portfolio alignment called for in the strategic plan.

United Nations Capital Development Fund

24. Total contributions to UNCDF in 2010 increased by 14 per cent, from $36.2 million in 2009 to $41.1 million in 2010. The number of donors reached 29 in 2010 (up from 27 in 2009 and 20 in 2007). The five largest donors to UNCDF in 2010 were Sweden, Australia and Belgium and two foundations (Bill & Melinda Gates Foundation and The MasterCard Foundation). While demonstrating continued and more diversified donor support, much of the recent growth has been in other, earmarked resources, which totaled $23.8 million in 2010. Contributions to regular resources decreased to $14.2 million in 2010, compared to$18.7 million in 2009. The decrease was a result of exchange-rate fluctuations and a significant reduction by one donor due to fiscal constraints. Other core donors maintained their contributions at 2009 levels despite the challenging financial environment. Austria and Luxembourg were able to increase their contributions, and the United States began contributing to UNCDF. UNCDF also works closely with other United Nations organizations through joint programmes and One UN initiatives. Funding received through joint programmes and One UN funds continues to grow and represents nearly one third of UNCDF's other resources.

United Nations Volunteers

25. The Special Voluntary Fund enables the UNV programme to cultivate diversified approaches that widen volunteer opportunities and deepen the programmatic integration of volunteerism for peace and development. While a modest fund, its importance cannot be overstressed. From research-based projects to pilot interventions in areas such as youth programming and environmental-sustainability initiatives, the Special Voluntary Fund is a catalyst for innovation which serves as a vital foundation for the evolution of the voluntary sector. Contributions to the Special Voluntary Fund in 2010 reached $4.4 million. Given the catalytic role of resources from the Special Voluntary Fund, the UNV programme is seeking to increase contributions to the Fund so as to further explore, expand and strengthen the role

of volunteerism and its contributions to development. As the target date for achieving the Millennium Development Goals nears, the participation of civil society and of citizen volunteers is needed now. UNV connects many thousands of volunteers with organizations working on the MDGs. This is inspiration in action.

C. Contributions to UNDP overall

26. Overall contributions to UNDP amounted to $5.02 billion in 2010 compared to $4.65 billion in 2009. As detailed above, contributions to regular resources decreased from $1.01 billion in 2009 to $0.97 billion in 2010. Other ("non-core") contributions to UNDP increased from $3.6 billion in 2009 to $4.05 billion in 2010. The ratio of regular to other resources decreased further and was at approximately 1:5 in 2010.

27. In its resolution 62/208, the General Assembly noted with concern that the share of core contributions to United Nations funds and programmes had declined in recent years. For UNDP, the Executive Board noted in its decision 2007/26 that earmarked resources have continued to far exceed regular resources, that this affects the ability of UNDP to fulfill its mandate adequately and to effectively support the development agenda of partner countries, and that unearmarked contributions are vital for the coherence and harmonization of operational activities for development.

28. Building on General Assembly resolution 62/277 on system-wide coherence, UNDP intends to pursue deliberations regarding the "critical mass" of regular resources, including in the context of the forthcoming quadrennial comprehensive policy review of operational activities for development of the United Nations system.

29. UNDP continues to strive to rebalance the regular to other resources ratio, as set out in the strategic plan. At the same time, and as outlined in its agenda for organizational change, UNDP is working towards a unified framework of regular and other resources to ensure close alignment of resource allocations with the priorities of the strategic plan. UNDP is committed to working with its partners to ensure rigorous reporting on results and the most effective and efficient use of the resources entrusted to the organization.

IV. Predictability

30. As reflected in General Assembly resolutions 59/250 and 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system, and in Executive Board decision 98/23 (which was reaffirmed in decisions 99/1, 99/23, 2002/9, 2004/29, 2005/23, 2006/24, 2007/17, 2008/16, 2009/10, 2009/20 and 2010/29), Member States are encouraged to contribute on a multi-year basis, in a sustained and predictable manner.

31. In May 2011 the Executive Board secretariat wrote to all Member States of UNDP in preparation for the 2011 annual Executive Board segment on funding. In line with Executive Board decisions 98/23 and 99/1 (reaffirmed in decisions 99/23, 2000/1, 2002/9, 2004/14, 2005/23, 2006/24, 2007/17, 2008/16, 2009/10, 2009/20 and 2010/29), Member States were requested to communicate their voluntary contributions to UNDP and its associated funds and programmes, and were encouraged to provide multi-year pledges.

32. At the time of the preparation of the present report, 44 Member States had indicated their 2011 pledges. However, a number of Member States were not yet in a position to convey their pledges. Tables 1 and 2 contained in the statistical addendum to this report (available on the Executive Board website) are based on information received and the best estimates of UNDP, using 2010 contributions. Table 3 provides information on government in-kind contributions. All 2010 figures are provisional and subject to modification upon confirmation of actual income figures for the year.

33. Over the initial, four-year timespan of the strategic plan, nine donors had made multi-year pledges ranging from two to four years. These donors were Australia, Belgium, Canada,

Finland, the Netherlands, New Zealand, Norway, Spain and the United Kingdom. In 2011, at the time of the preparation of the present report, only Spain and the United Kingdom had made indicative pledges to regular resources beyond 2011. New and renewed multi-year pledges covering the extended period of the strategic plan, 2011-2013, are vital if UNDP is to have a predictable resource base. Members unable to provide a multi-year pledge formally, because of national legislative or other restrictions, are strongly encouraged to provide indicative amounts for the forthcoming years.

34. In its decision 98/23, the Executive Board determined that the predictability of core resources could be strengthened if Member States announced specific payment schedules, with early payment encouraged. In paragraph 12 of 98/23, the Board decided, inter alia, to review at the funding meeting the timing of payments made in the previous calendar year. In 2010, 10 donors provided fixed payment schedules, compared with 7 donors in 2009 and 11 in 2008. Of the donors who provided payment schedules, however, many did not pay according to those schedules. By July 2010, 55 per cent of estimated gross income had been received, compared with 36 per cent in 2009, 32 per cent in 2008, and 56 per cent in 2007.

35. A number of donors delayed payment of significant proportions of their pledges until the last quarter in 2010, adversely affecting the core cash flow of UNDP. To avoid drawing on its operational reserves, measures were taken during the year to cut back, delay or postpone expenditures. As of 1 May 2011, 28 per cent of the projected 2011 gross regular resources income had been received, with seven OECD/DAC donors (Austria, Canada, Denmark, Luxembourg, Ireland, New Zealand and Norway) having paid their contributions in full.

36. Table 3 in the statistical addendum to the present report (available on the Executive Board website) includes a payment schedule for 2011 contributions that had been communicated to the Executive Board Secretariat by the time the report was written. The Secretariat notes with appreciation the efforts to date of donors who communicated payment schedules, as well as the efforts made by donors who paid their contributions early and in full. Member States that have not already done so are encouraged to inform the Secretariat of their intended payment schedules, including, where possible, early payment. Members are encouraged to adhere to their respective schedules in terms of the currency and timing of payments.

V. Reducing overdependence on a limited number of donors

37. In its decisions 98/23 and 99/1, the Executive Board recognized that overdependence on a limited number of donors carries risks for the long-term financial sustainability of UNDP. Accordingly, and most recently in decision 2010/14, it has urged all donors and programme countries in a position to do so to increase their contributions to regular resources.

38. It is estimated that the 10 largest donors to UNDP will provide close to 82 per cent of regular resources in 2011. In 2000, the "top 10" donors accounted for 86 per cent of contributions to regular resources. With the aim of reducing overdependence and broadening the donor base, the Administrator redoubled the organization's efforts to reach out systematically to traditional and non-traditional donors and programme countries to build commitment for common action in order to ensure that the resource base of the organization reaches agreed target levels.

39. Many programme countries contribute to reducing overdependence by providing UNDP with: (a) contributions to regular resources; (b) government cash contributions towards local office costs; and (c) government in-kind contributions, such as the provision of rent-free office premises, in addition to contributing substantial resources to UNDP programmes in their respective countries. The total of regular resource contributions from programme countries, after the application of the accounting linkage towards local office costs,

amounted to approximately $13 million in 2010. Four programme countries contributed $1 million or more to the regular resource base of the organization.

United Nations Capital Development Fund

40. Despite considerable improvements in donor diversification and burden-sharing in recent years, UNCDF continues to be dependent on a limited number of donors for contributions to its regular resources. The six largest donors to UNCDF contributed 95 per cent of the regular resources of UNCDF in 2010. Continuing to diversify and expand the regular resource base remains a top priority for UNCDF. Sources of other resources are increasingly diversified. In addition to bilateral and multilateral cooperation, UNCDF enjoys support from private sector foundations, through One UN funds, the Peacebuilding Fund and the MDG Achievement Fund, provided by the Government of Spain. In 2010, 29 donors supported UNCDF, as compared to 14 in 2005.

United Nations Volunteers

41. United Nations Volunteers work in 132 countries around the world enabling communities to contribute to peace and development. It is the volunteer ethos of UNV which makes it special in the United Nations family. Donor contributions continued to be critical in the development of volunteerism programming and mobilizing volunteers. Throughout 2010 UNV made strategic efforts to widen, to diversify and to ensure predictability within its donor base. A number of donors contributed for the first time or renewed their commitment to UNV. Despite the financial crisis, which led to a decrease of the contributions to the Special Voluntary Fund, some donors increased their contributions, including to the UNV full-funding scheme. UNV intensified its outreach to non-traditional donors, including middle-income countries.

VI. Conclusions

42. While the overall level of resources entrusted to UNDP demonstrates both the political support extended to UNDP by Member States and the high expectations of the organization, the decrease of regular resources in 2009 and 2010 sends an alarming signal that the positive resources trend of the past several years could be reversed.

43. The ability of UNDP to deliver effective capacity-building support for development depends on a critical mass of core funding to support strategic and flexible management approaches focused on long-term effectiveness. Development is a long-term challenge that requires strategic focus together with tactical flexibility and an ability to respond to crises and opportunities.

44. As part of its organizational change agenda, UNDP is fully committed to ensuring rigorous reporting on the results to which it contributes and on the most effective and efficient use of the resources entrusted to the organization. UNDP continues to accord highest priority to securing an adequate, stable and predictable base of regular resources and to rebalancing the ratio of regular to other resources. The integrated resources framework of the strategic plan as adjusted and amended in the midterm review (DP/2011/22 and annexes) requires the full support of Member States if the prescribed targets are to be achieved in future years and if the organization is to achieve the development results and impact to which its strategic plan aspires.

45. In the rapidly changing development landscape, and given the elevated and rapidly changing demands of the programme countries, it is essential that UNDP be able to operate as a forward-looking organization with clear strategic priorities, achieving transformational development results and having a real impact on the countries it serves. This is what UNDP aims to achieve, with the help and support of its partners.